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S E C R E T USNATO SECTION 1 OF 6 USNATO 5716

E.O. 11652: GDS
TAGS: PFOR, MILI, NATO, OR, UR, XF, XG, XI
SUBJECT: DRAFT REPORT TO NATO MINISTERS ON MEDITERRANEAN SITUATION
(MED REPORT)

REF: USNATO 5535 DTG 101756Z OCT 75 (NOTAL)

1. THERE FOLLOWS THE FIRST DRAFT BY THE INTERNATIONAL STAFF
(IS) OF THE SEMI-ANNUAL REPORT ON THE SITUATION IN THE
MEDITERRANEAN (MED REPORT). THE AD HOC GROUP ON THE MEDITERRANEAN
WILL MEET NOVEMBER 4-7 TO DRAFT FINAL REPORT UTILIZING IS
DRAFT AS STARTING POINT. THE COUNCIL WILL SUBMIT THE FINAL
REPORT TO THE MINISTERS IN DECEMBER.

2. MISSION COMMENT: THE IS APPEARS TO HAVE PRODUCED A WELL-
WRITTEN, POINTED INITIAL DRAFT THAT SHOULD PROVIDE A GOOD
BASIS FOR AD HOC GROUP DISCUSSION. THE DRAFT MAINTAINS THE
FOCUS OF THE REPORT ON SOVIET EFFORTS TO PENETRATE THE
MEDITERRANEAN, INCLUDING AN EXPANDED SECTION ON SOVIET AID/
ECONOMIC EFFORTS IN THE AREA.
SINCE WE HAVE RECOMMENDED THAT A REINFORCED NAC MEETING BE
HELD THIS FALL ON THE MIDDLE EAST WHICH WOULD BE KEYED TO
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CONSIDERATION OF THE MED REPORT AAND THE NATO MIDDLE EAST
REGIONAL EXPERTS REPORT (REFTEL); DEPARTMENT MAY WISH TO
REVIEW THIS INITIAL IS DRAFT WITH SUCH A GOAL IN MIND.
END COMMENT

3. ACTION REQUEST: REQUEST DEPARTMENT GUIDANCE BY OOB
NOVEMBER 3. MISSION WOULD AGAIN APPRECIATE BACKGROUND INFORMATION
FOR USE IN SUPPORTING PROPOSED US AMENDMENTS.

4. DPA(75)242

DEVELOPMENTS IN THE MEDITERRANEAN MAY-NOVEMBER 1975

1. THE REPORT ON THE SITUATION IN THE MEDITERRANEAN (C-M(75)27)
DRAWN UP BY THE COUNCIL IN PERMANENT SESSION ON THE
INSTRUCTIONS OF MINISTERS WAS SUBMITTED TO THEM IN RELATION TO
THE SUMMIT MEETING OF HEADS OF STATE AND OF GOVERNMENT HELD ON
29TH AND 30TH MAY, 1975 IN BRUSSELS. THE COUNCIL IN PERMENENT
SESSION WAS INVITED TO CONTINUE ITS CONSULTATION ON THIS MATTER
AND MAKE A FURTHER REPORT AT THE NEXT MINISTERIAL MEETING.

2. IN ACCORDANCE WITH THESE INSTRUCTIONS, THE COUNCIL IN
PERMANENT SESSION ARRANGED FOR THE PREPARATION OF THE FOLLOWING
REPORT WHICH SHOULD BE REGARDED AS PART OF THE CONTINUING
REVIEW OF AND CONSULTATION ON THE SITUATION IN THE MEDITERRANEAN.
IN VIEW OF THE FLUIDITY OF THE SITUATION, HOWEVER, THE SURVEY
HAS FOCUSSED ON THE OUTSTANDING EVENTS AND ON THE GENERAL
TREND OF DEVELOPMENTS AS IT AFFECTS THE ALLIANCE.

I. SIGNIFICANT EVENTS IN THE POLITICAL, MILITARY AND ECONOMIC
SPHERES

A. POLITICAL

EGYPT

3. THERE HAS BEEN NO IMPROVEMENT IN SOVIET-EGYPTIAN RELATIONS;
IF ANYTHING, THE REVERSE IS TRUE. DESPITE THE VISIT PAID TO
MOSCOW IN MID-JULY BY FINANCE MINISTER ISMAIL, THE MAIN POINTS
AT ISSUE BETWEEN THE TWO COUNTRIES REMAIN. THE SOVIET UNION
NOT ONLY REFUSES TO GRANT A MORATORIUM ON THE EGYPTIAN DEBT
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BUT IS ALSO DEMANDING THE IMMEDIATE PAYMENT OF ABOUT 220
MILLION DOLLARS. IN ADDITION IT IS SHOWING NO INCLINATION TO
CHANGE ITS MIND ON THE MATTER OF ARMS DELIVERIES. THIS
SCARCELY PROPITIOUS CLIMATE IS BELIEVED TO HAVE PROMTED
PRESIDENT SADAT STRICTLY TO LIMIT SOVMEDRON NAVAL FACILITIES
IN EGYPTIAN PORTS AND TO OBLIGE MOSCOW TO WITHDRAW THE FOUR
MIG-25S WHICH IT WAS USING FOR RECONNAISSANCE MISSIONS.

R. IN PARTICULAR, THE SPACTACULAR RAPPROACHEMENT BETWEEN THE
USSR AND LIBYA, BETOKENED BY KOSYGIN'S VISIT TO TRIPOLI,
WAS TAKEN AS A SLAP IN THE FACE BY SADAT. THE EGYPTIANS WERE
ANNOYED THAT MR. KOSYGIN STAYED AWAY FROM CAIRO, WHICH HE COULD
HAVE VISITED INSTEAD OF MR. BREZHNEV, WHOSE OWN VISIT,

POSTPONED LAST DECEMBER, IS STILL ON THE CARDS ACCORDING TO THE PROMISES MADE TO MR. FAHMI. THE SIGNING IN GENEVA ON 4TH SEPTEMBER OF THE SECOND ISRAELI-EGYPTIAN DISENGAGEMENT AGREEMENT (1), THE CONSEQUENCE OF UNITED STATES MEDIATION, HAS INEVITABLY EXACERBATED THE DISPLEASURE OF THE USSR. THIS WAS DEMONSTRATED BY ITS ABSTENTION FROM THE SIGNING CEREMONIES AND BY CRITICISMS IN THE MAIN SOVIET NEWSPAPERS. SINCE THEN, SADAT HAS EXPRESSED HIMSELF PUBLICLY IN EXCEPTIONALLY HARSH TERMS ABOUT THE USSR WHICH HE HAS ACCUSED IN PARTICULAR OF WANTING TO DIVIDE THE ARAB COUNTRIES.

FOOTNOTE

(1) A SUMMARY OF THE MAIN PROVISIONS OF THIS AGREEMENT MIGHT BE ATTACHED AT ANNEX

LIBYA

5. KOSYGIN'S VISIT TO TRIPOLI FROM 12TH TO 15TH MAY, 1975 GIVES THE RAPPROCHEMENT BETWEEN THE TWO COUNTRIES THE POLITICAL STAMP WHICH HAD SO FAR BEEN MISSING. IT WAS INDEED THE FIRST TIME THAT A SENIOR SOVIET LEADER HAD VISITED THE LIBYAN CAPITAL. THE COMMUNIQUE CALLED IN PARTICULAR FOR THE ELIMINATION OF FOREIGN MILITARY BASES IN THE MEDITERRANEAN AND FOR ITS TRANSFORMATION INTO A SEA OF PEACE. A SUBSTANTIAL INCREASE IN SOVIET MILITARY ASSISTANCE WAS AGREED DURING THIS MEETING AS WELL AS THE GRANTING OF CERTAIN NAVAL FACILITIES. AMONG OTHER RESULTS WERE THE SIGNING OF AN AGREEMENT ON NUCLEAR
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CO-OPERATION AND THE OPENING OF A RESEARCH CENTRE FOR PEACEFUL PURPOSES (IRRIGATION).

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6. RELATIONS WITH EGYPT HAVE BECOME OPENLY HOSTILE. PRESIDENT SADAT MAKES NO BONES ABOUT ACCUSING GADAFY OF WORKING FOR HIS OVERTHROW. THE NEWLY CORDIAL RELATIONS BETWEEN THE USSR AND LIBYA ARE OBVIOUSLY PROVIDING MOSCOW WITH THE MEANS OF FANNING THIS ANIMOSITY. THE CONSIDERABLE INCREASE IN LIBYA'S MILITARY POTENTIAL - WHICH GREATLY EXCEEDS THE LIBYAN ARMY'S CAPACITIES - FOLLOWING THE DELIVERY OF EQUIPMENT FROM THE USSR AND OTHER WARSAW PACT COUNTRIES HAS PROMPTED EGYPT TO TAKE PRECAUTIONARY MEASURES ON ITS WESTERN FRONTIER.

SYRIA

7. IN PURSUANCE OF HIS POLICY OF RE-INSURANCE HIGHLIGHTED IN RECENT MONTHS BY THE CREATION OF A JOINT MILITARY COMMAND WITH THE PLO(1), PRESIDENT ASSAD HAS MADE OVERTURES TO KING HUSSEIN, THEREBY BRINGING EIGHTEEN YEARS OF HOSTILITY TO AN END. HE HAS ENTERED INTO AN AGREEMENT WITH THE LATTER FOR THE CREATION OF A JOINT POLITICAL COMMAND WITHOUT, HOWEVER, ANY MILITARY RAMIFICATIONS FOR THE TIME BEING. ASSAD PLANS IN THIS WAY TO PROTECT SYRIAN INTERESTS WITHIN THE CONTEXT OF THE NEW SITUATION CREATED BY THE CONCLUSION OF THE ISRAELI-EGYPTIAN DISENGAGEMENT AGREEMENT. IT WOULD SEEM THAT THE CRITICISM

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OF THIS AGREEMENT WAS INTENDED PRIMARILY FOR SYRIAN DOMESTIC CONSUMPTION.

FOOTNOTE

(1) AS FEARED BY THE PLO, THIS DECISION HAS REMAINED A DEAD LETTER, AND THE PALESTINIANS HAVE RECENTLY DEMANDED THAT IT BE IMPLEMENTED

8. RELATIONS BETWEEN SYRIA AND IRAQ HAVE DETERIORATED MARKEDLY AS A RESULT OF A DISPUTE OVER THE SHARING OF THE EUPHRATES WATERS. THE PERSISTING RIVALRY BETWEEN THE TWO HOSTILE BAATH FACTIONS WHICH CONTROL POWER IN THE TWO CAPITALS HAS UNDOUBTEDLY EXACERBATED THIS DISPUTE. SAUDI ARABIA IS ACTING AS MEDIATOR IN THE QUEST FOR A COMPROMISE. AN IMPROVEMENT SEEMS IN PROSPECT.

JORDAN

9. THE IMPROVEMENT IN SYRIAN-JORDANIAN RELATIONS IS OF SPECIAL SIGNIFICANCE SINCE IT SETS THE SEAL ON THE REINTEGRATION OF KING HUSSEIN WITHIN THE ARAB CAMP FROM WHICH HIS HARSH TREATMENT OF THE PALESTINIANS HAD EXCLUDED HIM. THIS IS

EQUALLY IMPORTANT IN VIEW OF THE RABAT SUMMIT DECISIONS WHICH HAD STRIPPED HUSSEIN OF ANY INITIATIVE IN THE ISRAELI-ARAB DISPUTE AND TRANSFERRED THIS INITIATIVE TO THE PALESTINIANS. JUST AS IN THE CASE OF SYRIA, THE CONCLUSION OF THE ISRAELI-EGYPTIAN DISENGAGEMENT AGREEMENT HAS INDUCED AMMAN TO SEEK EXTERNAL SUPPORT.

IRAQ

10. ACCORDING TO CERTAIN REPORTS THE USSR HAS SUSPENDED ARMS DELIVERIES TO IRAQ AS A SIGN OF ITS DISPLEASURE OVER CERTAIN STEPS TAKEN BY BAGDAD. ONE OF THE REASONS FOR FRICTION BETWEEN THE TWO COUNTRIES HAS BEEN IRAQ'S QUEST FOR SUPPORT AMONG THE PERSIAN GULF COUNTRIES WITH A VIEW TO EXCLUDING RUSSIAN AND UNITED STATES MILITARY FORCES FROM THE REGION. SINCE THE CONCLUSION OF THE RECONCILIATION AGREEMENT WITH IRAN LAST MARCH, THE BAGDAD GOVERNMENT HAS SHOWN AN INTEREST IN THE IDEA OF A PURELY REGIONAL SECURITY ARRANGEMENT.

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THIS DEVELOPMENT WOULD SEEM TO BEAR OUT THE HYPOTHESIS PUT FORWARD IN THE PREVIOUS REPORT, NAMELY, THAT THE EFFECT OF THE ABOVE-MENTIONED AGREEMENT COULD BE TO REDUCE THE STRONG SOVIET INFLUENCE IN IRAQ. A FURTHER CONSEQUENCE OF THE AGREEMENT HAS BEEN A LESSENING OF TENSIONS BETWEEN THE COUNTRIES BORDERING ON THE GULF, A SIGNIFICANT EXAMPLE OF WHICH HAS BEEN THE CONCLUSION OF AN AGREEMENT BETWEEN IRAQ AND SAUDI ARABIA CONCERNING THE DELIMITATION OF THE NEUTRAL ZONE ON THEIR FRONTIER (CREATED BY A TREATY SIGNED IN 1922).

SAUDI ARABIA

11. THE ATTITUDE OF THE NEW GOVERNING CIRCLE IN RIAD SHOWS THAT IT HAS ADOPTED THE LATE KING FAISAL'S POLICY OF SEEKING TO CURTAIL SOVIET INFLUENCE IN THE AREA AS FAR AS POSSIBLE, PARTICULARLY THROUGH THE DISTRIBUTION OF SUBSIDIES TO THE ARAB COUNTRIES CONCERNED. FURTHERMORE, THE ALMOST IMMEDIATE APPROVAL GIVEN BY KING KHALED TO THE ISRAELI-EGYPTIAN DISENGAGEMENT AGREEMENT WAS A CONSTRUCTIVE MOVE.

PALESTINIANS

12. DESPITE ANOTHER VISIT BY ARAFAT TO MOSCOW EARLY IN MAY, THE USSR IS CONTINUING TO TREAD CAREFULLY WHERE THE PLO IS CONCERNED. A POSSIBLE EXPLANATION IS THE INTERNAL DISPUTES WHICH HAVE WIDENED THE RIFT IN THE ORGANIZATION BETWEEN THE REFUSAL FRONT (EXTREMIST FACTIONS SAID TO BE FINANCED BY GADAFY) AND THE MODERATE WING (AL FATAH) WHICH SUPPORTS A NEGOTIATED SOLUTION OF THE ARAB-ISRAELI CONFLICT. AN EXAMPLE OF THESE INTERNAL SQUABBLES LIES IN A FURTHER WITHDRAWAL FROM THE EXECUTIVE COMMITTEE OF THE PLO, THIS TIME BY THE PFLP-GC. THERE IS FAIRLY STRONG EVIDENCE THAT ARAFAT'S PRESTIGE IS

ON THE WANE.

REOPENING OF THE SUEZ CANAL

13. THE CANAL WAS REOPENED ON 5TH JUNE, AS PLANNED. THERE HAS BEEN A GRADUAL INCREASE IN TRAFFIC ALTHOUGH THE NUMBER OF SHIPS PASSING THROUGH THE CANAL IS STILL BELOW HALF THE PRE-1967 NUMBER; TANKER TRAFFICE IN PARTICULAR IS MUCH REDUCED, THE ROUTE VIA THE CAPE OF GOOD HOPE BEING APPARENTLY MORE
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ECONOMICAL. THE EGYPTIAN AUTHORITIES HAVE GIVEN EXTENSIVE PUBLICITY TO THE CUTS IN INSURANCE PREMIUMS MADE DESPITE A MINE EXPLOSION ON 16TH JUNE WHICH DAMAGED A SHIP. THEY HAVE, MOREOVER, ANNOUNCED AMBITIOUS PLANS FOR THE RECONSTRUCTION AND ECONOMIC DEVELOPMENT OF THE SUEZ CANAL AREA.

14. WHILE THE USSR HAS SO FAR REFRAINED FROM SENDING LARGE WARSHIPS THROUGH THE CANAL, QUITE A NUMBER OF SOVIET CARGO VESSELS INCLUDING ARMS CARRIERS HAVE BEEN THROUGH THE CANAL ON THEIR WAY TO IRAQ AND THE COUNTRIES BORDERING THE INDIAN OCEAN. THEY ALSO INCLUDED TANKERS FOR REFUELLIN THE SOVIET SQUADRON IN THE INDIAN OCEAN.

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B. MILITARY

SOVIET MILITARY PRESENCE IN THE AREA

SOVMEDRON

15. THE ONLY SIGNIFICANT SOVIET MILITARY PRESENCE IN THE AREA IS STILL MAINTAINED BY THE SOVIET MEDITERRANEAN SQUADRON (SOVMEDRON). NUMERICALLY, THE STRENGTH OF THE SOVMEDRON HAS FLUCTUATED BETWEEN 67 UNITS (JUNE-JULY) AND 53 UNITS - AVERAGING ABOUT 60 SHIPS AND WAS COMPOSED OF ABOUT 16 SURFACE COMBATANTS, 14 SUBMARINES AND 30 AUXILIARIES. THE NUMBER OF MAJOR COMBATANTS HAS INCREASED THE SQUADRON'S SSM AND SAM CAPABILITIES, WHICH HAS REMAINED AT A HIGHER THAN NORMAL LEVEL SINCE JUL THIS YEAR. THUS, WHILE MAINTAINING NORMAL NUMERICAL STRENGTH THE FIGHTING QUALITY OF THE SQUADRON HAS INCREASED. THE OPERATIONAL ACTIVITIES OF THE SQUADRON HAVE REMAINED SUBDUED. APART FROM SURVEILLANCE OF ALLIED UNITS AND A FEW SHORT ASW/ACW EXERCISES, MAJOR SURFACEMEN HAVE REMAINED IN THE USUAL PORTS AND ANCHORAGES.

16. RECENT REPORTS INDICATE THAT EGYPT HAS DECIDED TO LIMIT
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PORT FACILITIES TO THE SOVIET FLEET EXCEPT FOR HUMANE REASONS. IT SEEMS THAT IN ALEXANDRIA SOVIET FACILITIES ARE NOW CONFINED TO A SHIP REPAIR YARD AND FUEL STORAGE TANKS. EVEN STORES ARE ARRANGED BY A SINGLE LIAISON OFFICER WORKING THROUGH AN EGYPTIAN FIRM. WITH REGARD TO SHIPS DOCKING THEY MUST GIVE NOTICE OF ARRIVAL NOW LIKE ANYONE ELSE.

17. UNDER THE PROVISIONS FOR INCREASED MILITARY AID, ARRANGED DURING KOSYGIN'S VISIT TO LIBYA, THE SOVMEDRON HAS BEEN GRANTED CERTAIN NAVAL FACILITIES. IT IS DIFFICULT TO PINPOINT THESE AT PRESENT BUT IN ANY CASE REPORTS OF THE CREATION OF A SOVIET BASE HAVE NOT MATERIALISED AND HAVE, MOREOVER, BEEN DENIED.

18. THREE TO FOUR FOXTROT CLASS SUBMARINES FROM NORTHERN FLEET ENTERED THE MEDITERRANEAN COVERTLY ABOUT 20TH JULY TO RELIEVE SOVMEDRON UNITS. THE SUBSEQUENT RETURN TRANSIT INVOLVED FOUR FOXTROT CLASS SUBMARINES WHICH TRANSITTED TO NORTHERN FLEET OVERTLY, WHILE A FURTHER TWO FOXTROTS TRANSITTED COVERTLY. IN ADDITION, A JULIET CLASS SUBMARINE ALSO TRANSITTED SEPARATELY. IT MAY BE THAT NEW PROCEDURES WERE TESTED TO COMPLICATE NATO SURVEILLANCE DURING THE RETURN TRANSIT.

19. THE SOVIETS HAVE MAINTAINED THEIR PROCEDURE OF DECLARING MORE SHIPS FOR PASSAGE THROUGH THE STRAITS FOR THE MEDITERRANEAN THAN THEY HONOUR. BY THIS METHOD, THEY CAN, WHILE RESPECTING THE MONTREUX CONVENTION, OVERCOME TO A CERTAIN EXTENT THE TIME DELAY IN REINFORCEMENT POSSIBILITIES IMPOSED BY THIS CONVENTION.

MARITIME AIR CAPABILITY

20. THE SOVMEDRON IS STILL WITHOUT A MARITIME AIR RECONNAISSANCE CAPABILITY. THE KIEV, DESIGNATED AN ASW CRUISER BY THE SOVIETS, HAS BEEN UNDERGOING SEA TRIALS IN THE BLACK SEA THIS SUMMER AND IS EXPECTED TO BECOME OPERATIONAL LATE IN 1976, ALTHOUGH THE POSSIBILITY OF AN EARLIER DEMONSTRATIVE SORTIE CANNOT BE EXCLUDED. THERE ARE NO ESTIMATES ON NUMBERS AND TYPES OF AIRCRAFT, ALTHOUGH A MIX OF VSTOL AIRCRAFT AND HELICOPTERS IS EXPECTED.

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2. USE OF THE CANAL BY SOVIET COMBATANTS HAS SO FAR BEEN LIMITED TO A PETYA II ESCORT BEING TOWED THROUGH THE CANAL ON 21ST JULY, AND ONE ALLIGATOR LANDING SHIP WHICH TRANSITTED THE CANAL, SOUTHBOUND ON 23RD JULY AND RETURNED ON 12TH/13TH AUGUST.

22. THERE WAS SOME QUESTION IN THE CONTEXT OF THE INCREASED SOVIET MILITARY AID TO LIBYA, THAT THE USSR BE GIVEN ACCESS TO AIRFIELDS FOR LOGISTIC SUPPORT FLIGHTS ASSOCIATED WITH SOVIET TECHNICIANS ASSEMBLING NEWLY DELIVERED EQUIPMENT AND TRAINING LIBYANS. REPORTS HAVE BEEN RECEIVED OF A SOVIET MANNED TU-16 BADGER AT MISURATA AIRFIELD IN LIBYA. THIS INFORMATION HAS NOT BEEN CONFIRMED AND THERE ARE NO FIRM REPORTS ON THE PRESENCE OF SOVIET PILOTS IN THAT COUNTRY. IN EGYPT, RECENT INFORMATION INDICATES THAT MOSCOW HAS WITHDRAWN ITS CONINGENT OF FOUR MIG-25/FOXBAT B RECONNAISSANCE AIRCRAFT FROM EGYPT, WHICH HAD BEEN IN THE COUNTRY (CAIRO - WEST) SINCE THE OCTOBER 1973 WAR. THE WITHDRAWAL TOOK PLACE BECAUSE MOSCOW WOULD NOT COME TO TERMS WITH CAIRO OVER THE APPROPRIATE CONTROL AND USE OF THESE HIGH ALTITUDE RECONNAISSANCE AIRCRAFT. FOLLOWING THIS WITHDRAWAL, THERE ARE NOW NO FOREIGN AIR FORCE UNITS LEFT IN EGYPT.

USE OF YUGOSLAV AND OTHER NAVAL FACILITIES

23. THE DON CLASS SUBMARINE TENDER, REFITTING AT TIVAT IN YUGOSLAVIA SINCE LATE 1974, LEFT ON 8TH JUNE, WITHIN THE SIX MONTH TIME LIMIT. THE F CLASS SUBMARINE, WHICH WAS WITH HER, CONDUCTED SEA TRIALS AT THE TIME OF HER DEPARTURE AND HAS ALSO LEFT. SINCE JUNE, A SECOND FOXTROT CLASS SUBMARINE AND A DON CLASS SUBMARINE TENDER ARE UNDERGOING REPAIRS AT TIVAT. THERE ARE INDICATIONS OF THE PRESENCE OF SOVIET TECHNICIANS, ALTHOUGH WORK, ACCORDING TO YUGOSLAV LAW, MUST BE DONE BY YUGOSLAVS USING YUGOSLAV MATERIEL.

24. PERHAPS IN CONNECTION WITH THE NEW LIMITATIONS IMPOSED IN ALEXANDRIA, THE SOVIETS ARE STEADILY DEVELOPING THE SYRIAN PORTS OF LATAKIA AND TARTOUS FOR THEIR OWN PURPOSES.

ARMS DELIVERIES

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25. THE MAIN RECIPIENT OF WARSAW PACT ARMS APPEARS TO BE LIBYA, WHICH HAS UNTIL NOW RECEIVED 13 MIG-23 FLOGGERS, 1,000 MEDIUM TANKS AND VAST QUANTITIES OF INFANTRY EQUIPMENT IN ADDITION TO VARIOUS TYPES OF SURFACE-TO-SURFACE MISSILES. A FURTHER 1,000 TANKS, 12 TU-22 BLINDERS AND SIX SUBMARINES MAY STILL BE OUTSTANDING. MOST OF THIS EQUIPMENT WILL UNDOUBTEDLY BE STORED, BECAUSE TRAINED PERSONNEL ARE NOT YET AVAILABLE. AT A PARADE IN SEPTEMBER, THE LIBYAN ARMED FORCES DISPLAYED FOR THE FIRST TIME SOVIET SAM-6 GROUND-TO-AIR MISSILES AS WELL AS ABOUT 300 RUSSIAN BUILT TANKS, INCLUDING HEAVY T-62S.

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26. IT WAS NOT UNTIL DECEMBER 1974 THAT THE SOVIET UNION AGREED TO RELEASE FLOGGER FIGHTERS TO EGYPT FOR THE FIRST TIME, APPARENTLY UNDER A PRE-OCTOBER WAR CONTRACT. THE FIRST ARRIVED BY SEA AT THE BEGINNING OF FEBRUARY 1975, AND BY THE MIDDLE OF APRIL 23 FUSELAGES HAD BEEN DELIVERED. AT THE SAME TIME THE RUSSIANS DELIVERED 18 SU-20 VG FIGHTER BOMBERS AND SEVEN FISHBEDS, WHICH EGYPTIAN SOURCES INDICATED WERE ALSO ORDERED IN 1975. WE THINK IT LIKELY THAT MOST OUTSTANDING CONTRACTS HAVE NOW BEEN COMPLETED AND THERE IS NO EVIDENCE TO SUGGEST THAT ANY MAJOR NEW AGREEMENTS HAVE BEEN CONCLUDED. IN ADDITION SOME SA-3 MISSILES, 30 T-55 TANKS AND MILITARY TRUCKS MILITARY TRUCKS AND ARTILLERY HAVE BEEN DELIVERED. DISCONTINUANCE OF SOVIET RESUPPLY OF SPARE PARTS IS BRINGING ABOUT A SERIOUS SITUATION WITHIN EGYPTIAN ARMED

FORCES. ACCORDING TO CERTAIN SOURCES, 30-40 PER CENT OF EXISTING EQUIPMENT IS PUT ASIDE FOR REPAIR. THIS SITUATION COULD LEAD TO HEAVY REPERCUSSIONS ON THE ARMED FORCES MORALE AND BEHAVIOUR.

27. ARMS DELIVERIES ALSO WERE MADE TO OTHER ARAB COUNTRIES NOTABLY SYRIA (ONE PETYA II DESTROYER ESCORT).

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TRAINING OF MILITARY PERSONNEL

28. THERE MAY BE UP TO 1,300 LIBYAN MILITARY PERSONNEL PRESENTLY UNDERGOING MILITARY TRAINING IN THE USSR.

C. ECONOMIC

29. THE SOVIET UNION HAS CONTINUED TO PROVIDE EGYPT WITH ECONOMIC AID DESPITE THE POLITICAL DIFFERENCES THAT ARE STRAINING RELATIONS BETWEEN THE TWO COUNTRIES. IT DOES NOT APPEAR TO HAVE GONE BACK ON ITS COMMITMENTS BUT ON THE OTHER HAND, THE SOVIET UNION HAS AGAIN REFUSED TO RESCHEDULE PAYMENT OF EGYPT'S MILITARY DEBT, EGYPTIAN FINANCE MINISTER ISMAIL, DURING HIS MEETING IN MOSCOW, FAILED TO REACH AGREEMENT FOR RESCHEDULING, ALTHOUGH THE DOOR WAS LEFT OPEN FOR FURTHER NEGOTIATIONS. EGYPT HAD REQUESTED AN EXTENSION OF THE TEN YEAR MORATORIUM ON ITS MILITARY DEBT THAT EXPIRED IN 1974. WITHOUT THIS CONCESSION, EGYPT WILL HAVE TO DIVERT LARGE QUANTITIES OF EXPORTS TO THE USSR -- MAINLY HARD CURRENCY EARNERS -- WHICH WILL IMPOSE ADDITIONAL STRAINS ON CAIRO'S BALANCE OF PAYMENTS. THE TWO COUNTRIES ARE BELIEVED TO HAVE SIGNED A PROTOCOL IN MAY 1975 UNDER THE TERMS OF WHICH EGYPT WOULD DRAW \$106 MILLION ON SOVIET CREDITS, ESTIMATED AT SOME \$100 MILLION. THE SIZE OF THE SOVIET FINANCIAL CONTRIBUTION TO ECONOMIC DEVELOPMENT IN EGYPT IS A RELATIVELY SMALL ONE BY COMPARISON WITH WHAT THE COUNTRY IS NOW RECEIVING FROM THE OPEC OR WESTERN COUNTRIES; IT HAS APPARENTLY, OVER THE PAST TWO YEARS, RECEIVED LOANS TOTALLING \$4.4 MILLIARD MAINLY FROM SAUDI ARABIA (\$2.7 MILLIARD), KUWAIT AND IRAN AND ALSO FROM THE INDUSTRIALIZED COUNTRIES (\$945 MILLION) PRIMARILY FROM THE USA AND JAPAN. THIS AID HAS ENABLED EGYPT TO IMPROVE ITS FOREIGN PAYMENTS POSITION AND TO REPAY \$1.2 MILLIARD TO NON-COMMUNIST COUNTRIES IN RESPECT OF SHORT-TERM COMMERCIAL LOANS.

30. ECONOMICALLY SPEAKING, EGYPT CANNOT FAIL TO BENEFIT FROM THE RECENT AGREEMENTS WITH ISRAEL. THESE BENEFITS INCLUDE INCREASED TRAFFIC ALONG THE SUEZ CANAL AND THE INCOME WHICH THIS PROVIDES (ESTIMATED AT \$450 MILLION PER ANNUM), RECOVERY OF THE OIL IN THE SINAI (4 TO 5 MILLION TONS, PART OF WHICH COULD BE EXPORTED) HOPED FOR FINANCIAL ASSISTANCE FROM THE UNITED STATES OF THE ORDER OF \$650 MILLION, MORE FAVOURABLE
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CONDITIONS FOR THE CONSTRUCTION OF THE SUEZ-MEDITERRANEAN PIPELINE - SUMED - WHICH HAS JUST BEGUN AFTER FOUR YEARS OF DELAYS (DESIGNED CAPACITY OF 1,6 MILLION BARRELS PER DAY), AND WHICH IS EXPECTED TO BE COMPLETED BY 1977. THE CONSTRUCTION OF THE SUMED AND THE SUEZ CANAL'S REOPENING ARE VIEWED AS ESSENTIAL TO EGYPT'S ECONOMIC DEVELOPMENT. TRANSIT FEES ARE BEING COUNTED ON TO INCREASE THE SUPPLY OF HARD CURRENCY. THE GOVERNMENT BELIEVE THAT THE PIPELINE WILL COMPLEMENT THE CANAL SINCE THE WATERWAY WILL INITIALLY BE CAPABLE OF HANDLING TANKERS OF ONLY UP TO 40,000 DEADWEIGHT TONS (DWTs). ON THE OTHER HAND, THE SUMED TERMINALS WILL BE ABLE TO ACCOMMODATE 250,000 DW T

TANKERS WHICH WILL OBTAIN THE LONG HAUL FROM THE PERSIAN GULF TO EUROPE VIA THE CAPE OF GOOD HOPE. SUMED'S FEASIBILITY IS FURTHER STRENGTHENED BY THE FACT THAT WESTERN EUROPE'S CRUDE OIL REQUIREMENTS FROM THE PERSIAN GULF EXCEED THE TOTAL COMBINED CAPACITY OF SUMED, THE CANAL, AND THE THREE MAJOR PIPELINES SERVING THE EASTERN MEDITERRANEAN. FOR MANY YEARS TO COME, WESTERN EUROPE WILL SEEK TO OBTAIN AS MUCH OF ITS PERSIAN OIL SUPPLIES

VIA THE MORE ECONOMICAL CANAL AND SUMED ROUTES. THESE NEW FACTORS COULD STILL FURTHER DIMINISH EGYPT'S DEPENDENCE ON ECONOMIC ASSISTANCE FROM THE COMMUNIST COUNTRIES. HOWEVER, THE GREATEST ADVANTAGE TO EGYPT WILL BE THE POSSIBILITY NOW OPEN TO IT OF DEALING WITH ITS GRAVE ECONOMIC PROBLEMS (HIGH RATE OF INFLATION AND UNEMPLOYMENT, INADEQUATE ECONOMIC INFRASTRUCTURE

AND OBSOLESCENCE OF THE MAJORITY OF PLANT). THE LIBERALIZATION OF THE ECONOMY WILL BE SPEEDED UP IN THE PROCESS AND WILL PROBABLY RESULT IN GREATER ACTIVITY IN THE PRIVATE SECTOR AND LARGER FOREIGN SHARE - PARTICULARLY BY THE ARAB AND WESTERN COUNTRIES IN THE COUNTRY'S DEVELOPMENT. FOR INSTANCE, THE EGYPTIAN GOVERNMENT IS ACTIVELY PURSUING PLANS FOR THE RECONSTRUCTION AND FURTHER DEVELOPMENT OF THE SUEZ CANAL ZONE. POSITIVE STEPS ARE BEING TAKEN TO RECONSTRUCT THE THREE MAIN TOWNS AND TO REPAIR AND IMPROVE THE ROAD AND RAILWAY SYSTEMS. ACTIVE CONSIDERATION IS BEING GIVEN TO LONGER TERM PROPOSALS TO DEVELOP SINAI, ASSUAN AGRICULTURAL, INDUSTRIAL AND TOURIST AREA, AND TO IMPROVE PORT FACILITIES AND THE SURFACE TRANSPORTATION SYSTEM, INCLUDING THE CONSTRUCTION OF FIVE TUNNELS UNDER THE SUEZ CANAL.

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31. IN SYRIA, THE ECONOMIC PRESENCE OF THE USSR AND EASTERN EUROPE STILL LOOMS LARGE ALTHOUGH RECENT SIGNS WOULD SEEM TO SHOW SOME MEASURE OF DISENCHANTMENT OVER CO-OPERATION WITH THE RUSSIANS. IN 1974, SYRIA RECEIVED JUST UNDER ONE-QUARTER OF THE TOTAL ECONOMIC AID GRANTED BY THE COMMUNIST COUNTRIES TO THE THIRD WORLD (\$285 MILLION OUT OF \$1,275

MILLION). IT SHOULD ALSO BE NOTED THAT AID TO SYRIA, ON A PER CAPITA BASIS OVER THE PERIOD 1954-1974, TOTALLED \$164 AS COMPARED WITH \$65 IN THE CASE OF EGYPT. THE GAP BETWEEN THESE TWO FIGURES ILLUSTRATES THE IMPORTANCE OF SYRIA IN SOVIET PLANS FOR THE PENETRATION OF THE MIDDLE EAST. IT SHOULD ALSO BE RECALLED THAT THE REPAYMENT OF THE SYRIAN DEBT WAS POSTPONED BY 12 YEARS IN MAY 1974 WHILE EGYPT IS STILL BEING REFUSED A MORATORIUM.

THE COMMUNIST COUNTRIES OF EASTERN EUROPE CONTINUE TO PLAY AN ACTIVE PART IN THE COUNTRY'S DEVELOPMENT AND THIS IS PARTICULARLY TRUE OF RUMANIA, WHICH IS CO-OPERATING IN A LARGE NUMBER OF FIELDS. ON THE OTHER HAND, THE SYRIAN GOVERNMENT IS BELIEVED NOT TO HAVE RENEWED THE CONTRACTS OF 100 SOVIET EXPERTS RESPONSIBLE FOR EXPLORING THE COUNTRY'S OIL RESOURCES BECAUSE OF THE POOR RETURNS OBTAINED SO FAR. FOR SOME YEARS NOW, MOREOVER, SYRIA HAS TENDED TO DIVERSIFY ITS ECONOMIC RELATIONS. FINANCIAL AID FROM THE ARAB COUNTRIES MAY FAVOUR THIS TREND, AS MAY THE INCREASING CONTACTS WITH THE COMMON MARKET COUNTRIES AND THE UNITED STATES. COMMITMENTS BY THE ARAB COUNTRIES IN 1974 TOTALLED \$650-750 MILLION (OF WHICH ALMOST HALF CAME FROM SAUDI ARABIA) AND MAY HAVE REACHED ONE MILLIARD OR THEREABOUTS THIS YEAR.

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32. NO FURTHER COMMITMENTS BY THE WARSAW PACT COUNTRIES IN RESPECT OF ECONOMIC AID TO IRAG WERE UNDERTAKEN IN 1974. ACCORDING TO THE INFORMATION AVAILABLE, THIS IS EQUALLY TRUE FOR 1975. IRAG HAS NONETHELESS CONTINUED TO MAKE USE OF CREDITS PREVIOUSLY GRANTED. IT DREW ON THESE TO THE TUNE OF \$44 MILLION LAST YEAR. ECONOMIC CO-OPERATION WITH THE USSR IS CONTINUING PARTICULARLY BY VIRTUE OF AN AGREEMENT, SIGNED

IN MAY 1975, WHEREBY THE SOVIET UNION WILL CARRY OUT 15 PROJECTS, INCLUDING THE HADITHA DAM AND HYDRO-ELECTRIC COMPLEX, WHICH WILL COST \$710 MILLION. AGREEMENTS OF THIS KIND IMPLY A CONTINUING SOVIET PRESENCE IN IRAQ OVER THE MEDIUM-TERM. AN AGREEMENT ON ECONOMIC, SCIENTIFIC AND TECHNICAL CO-OPERATION WAS SIGNED BETWEEN IRAQ AND COMECON IN MOSCOW ON 5TH JULY. NO DETAILS ARE AVAILABLE IN THIS CONNECTION, HOWEVER. IRAQI OIL EXPORTS TO THE USSR FELL BY 65PERCENT IN 1974, TOTALLING 3.9 MILLION TONS AS COMPARED WITH 11 MILLION TONS THE PREVIOUS YEAR. THIS WAS DUE TO THE SUSPENSION OF DELIVERIES, FOLOWING IRAQI DEMANS THAT THEY BE PAID FOR IN HARD CURRENCIES AND AT THE SAME RATE AS WESTERN CUSTOMERS ("SWAP" AGREEMENTS BEING REGARDED AS OBSOLETE). HOWEVER, DELIVERIES TO THE OTHER EASTERN COUNTRIES, ESTIMATED AT BETWEEN 3 AND 4 MILLION TONS, COULD RISE IN AS MUCH AS THESE COUNTRIES ARE NO LONGER ABLE TO OBTAIN ALL THEIR
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SUPPLIES FROM THE USSR. IN THIS CONNECTION, A LONG-TERM AGREEMENT ON OIL SUPPLIES TO EAST GERMANY WAS SIGNED RECENTLY IN BAGDAD; THE TERMS OF THE AGREEMENT ARE, HOWEVER, UNKNOWN.

33. LIBYA HAS EXTENDED ITS ECONOMIC RELATIONS WITH THE WARSAW PACT COUNTRIES. IT HAS SECURED SOVIET PARTICIPATION IN THE BUILDING OF A NUCLEAR POWER STATION EQUIPPED WITH A 10 MW REACTOR. OTHER AGREEMENTS FOR ECONOMIC AND TECHNICAL CO-OPERATION HAVE BEEN SIGNED WITH POLAND AND RUMANIA, TO WHICH LIBYA WILL BE SUPPLYING OIL. RUMANIA, FOR ITS PART, WILL HELP LIBYA WITH PROSPECTION AND PLANS TO IMPORT 12 MILLION TONS OF LIBYAN CRUDE BETWEEN NOW AND 1977.

II. PRESENT TRENDS

A. POLITICAL

34. THE CONCLUSION IN GENEVA ON 4TH SEPTEMBER, 1975, OF THE SECOND ISRAELI-EGYPTIAN DISENGAGEMENT AGREEMENT WHICH CAME INTO EFFECT WITH THE SIGNING OF THE PROTOCOL, WAS A SIGNIFICANT STEP FORWARD IN THE RAPPROCHEMENT BETWEEN EGYPT AND THE UNITED STATES AS WELL AS IN THE QUEST FOR A PEACEFUL SOLUTION TO THE ARAB-ISRAELI DISPUTE. THE STATIONING, PROVIDED FOR IN THE AGREE-
MENT, OF 200 UNITED STATES' CIVILIAN TECHNICIANS IN THE UN BUFFER ZONE, WHO WILL OPERATE THE RADAR FACILITIES CONTROLLING ACCESS TO THE SINAI PASSES, IS A NEW AND IMPORTANT DEVELOPMENT. IT IS SIGNIFICANT THAT THE USSR, DESPITE ITS UNDOUBTED RESENTMENT, HAS NONETHELESS DECIDED NOT TO HAMPER THE RESUMPTION OF SECRETARY KISSINGER'S STEP-BY-STEP DIPLOMACY, FOR EXAMPLE BY INSISTING ON THE EARLY RECONVENING OF THE GENEVA CONFERENCE. IT WAS PERHAPS AFRAID OF BRINGING OUT INTO THE OPEN THE DISAGREEMENTS BETWEEN THE ARAB COUNTRIES AND THE DIFFICULTIES BESETTING ITS RELATIONS WITH SOME OF THEM.

35. THERE SEEMS TO BE NO DOUBT THAT, IN THE SHORT-TERM AT LEAST, THE SOVIET UNION HAS LOST A CERTAIN AMOUNT OF GROUND

IN THE MIDDLE EAST. DESPITE A BUILD-UP IN DIRECT SOVIET
PRESSURE ON SADAT (ITS REFUSAL TO GRANT A MORATORIUM ON DEBT RE-
PAYMENTS AND TO SUPPLY ARMS) AS WELL AS INDIRECT PRESSURES
(PRIVILEGED TREATMENT GRANTED FIRST TO SYRIA AND, MORE
RECENTLY, TO LIBYA), SADAT HAS NOT BEEN SWAYED FROM HIS DECISION
TO RELY INCREASINGLY ON THE UNITED STATES. WHAT IS MORE, THE
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USSR IS NO LONGER IN A POSITION, AS IT HAS BEEN IN THE PAST,
TO TURN FOR SUPPORT TO ARAB COUNTRIES WITH RADICAL INCLINATIONS.
FOR EXAMPLE, IRAQ, WHICH WAS VIEWED AS A REGULAR CLIENT OF THE
KREMLIN, IS NOW HOLDING OFF AND TAKING A GREATER INTEREST IN
GULF AFFAIRS FOLLOWING ITS RECONCILIATION WITH IRAN (SPURRED
ON BY EGYPT AND SAUDI ARABIA). SYRIA FOR ITS PART, WHICH HAS
SEEN THE ADVANTAGES ACCRUING TO SADAT AS A RESULT OF HIS CO-
OPERATION IN STEP-BY-STEP DIPLOMACY, IS NOW WONDERING TO WHAT
EXTENT IT SHOULD DEPEND ON THE SOVIETS. IN THIS CONTEXT, THE
SYRIAN-JORDANIAN RAPPROCHEMENT AUGURS WELL, TO THE EXTENT THAT
HUSSEIN WILL BE ABLE TO URGE UPON HIS NEW PARTNER A MORE
MODERATE VIEW. IN THIS CONTEXT, IT WOULD BE ADVISABLE TO HELP
THE HASHEMITE MONARCH TO PRESERVE HIS PRO-WESTERN INCLINATIONS.

36. IN SUCH CIRCUMSTANCES, THE USSR WOULD BE LEFT ONLY
WITH LIBYA AND THE PALESTINIANS AS INSTRUMENTS OF OBSTRUCTION.
AS REGARDS LIBYA, GADAFY'S CLUMSINESS HAS DETRACTED CONSIDERABLY
FROM HIS CREDIT IN THE ARAB WORLD. THE SOVIET-LIBYAN
RAPPROCHEMENT, SPECTACULAR THOUGH IT MAY SEEM, SEEMS TO BE
PART OF AN IMMEDIATE TACTICAL CONCEPT RATHER THAN OF A LONG-
TERM DESIGN. AS REGARDS THE PALESTINIANS, THEY ARE HAM-
STRUNG WITHOUT SYRIA, BESIDES WHICH THEIR FUNDAMENTAL
DIFFERENCES MAKE THEM AN INSTRUMENT OF DOUBTFUL EFFICACY
FOR MOSCOW.

37. IT IS CLEAR HOWEVER THAT THE PRESENT BALANCE IS A
FRAGILE ONE AND THAT ITS CONSOLIDATION WILL DEPEND ON FURTHER,
AND EARLY, PROGRESS IN THE SETTLEMENT OF THE ARAB-ISRAELI
DISPUTE, FAILING WHICH THE KREMLIN COULD HAVE GREATER SUCCESS
IN ITS TACTICS OF OBSTRUCTION. THIS DOES NOT DETRACT FROM THE
FACT THAT THE CURRENT DEVELOPMENTS HAVE HIGHLIGHTED THE DILEMMA
WHICH HAS ALWAYS SURROUNDED MOSCOW'S MIDDLE EAST POLICY. ON
THE ONE HAND, ITS INFLUENCE INCREASED WITH ITS SUPPORT FOR
THE ARABS IN THE DISPUTE WITH ISRAEL AND IT COULD LOGICALLY BE
EXPECTED TO FAVOUR THE PERPETUATION OF THE "NO WAR, NO PEACE"
SITUATION WHICH ENHANCES THE VALUE OF ITS SERVICES; ON THE OTHER
HAND IT CANNOT ALLOW ITSELF TO BE ACCUSED OF OBSTRUCTING PEACE
AND ACCORDINGLY IT CANNOT BUT WELCOME THE PROSPECTS OF A
SETTLEMENT OF THE DISPUTE. ITS OPPOSITION TO THE DISENGAGEMENT
AGREEMENT SHOULD NOT THEREFORE GO BEYOND VERBAL ATTACKS,
VIOLENT THOUGH THEY MIGHT BE. IT GOES WITHOUT SAYING THAT
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SOVIET PENETRATION OF THE MIDDLE EAST REFLECTS GEO-STRATEGIC AIMS OF SUCH FUNDAMENTAL IMPORTANCE THAT MOSCOW CANNOT FAIL TO PURSUE THEM ACTIVELY DESPITE THE UPS AND DOWNS WITH WHICH IT MAY HAVE TO CONTEND. NONETHELESS, THE GRADUAL RE-ESTABLISHMENT OF PEACEFUL CONDITIONS IN THE REGION WOULD MAKE IT FAR MORE DIFFICULT FOR THE USSR TO FIND THE MEANS OF PURSUING THIS POLICY.

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B. MILITARY

38. IF THE RESTRICTIONS CONCERNING THE AVAILABILITY OF NAVAL FACILITIES FOR THEIR FLEET IN EGYPT ARE CONFIRMED IT WILL HAVE SERIOUS CONSEQUENCES FOR THE SOVIET MEDITERRANEAN SQUADRON WHICH IN RECENT YEARS HAS RELIED HEAVILY UPON PORTS AND ANCHORAGES AVAILABLE ON THE EGYPTIAN COAST. THIS STOPPAGE WOULD ESPECIALLY AFFECT THE REFIT AND MAINTENANCE CYCLE OF DIESEL SUBMARINES IN THE MEDITERRANEAN, AS ALEXANDRIA HAS FEATURED AS ONE OF THE PRIME YARDS FOR THIS WORK EVER SINCE THE SOVIETS BEGAN DEPLOYING DIESELS TO THE MEDITERRANEAN. THIS MIGHT AFFECT ALSO THE PORTS OF SALLUM AND MERSA MATRUH. SALLU IS ONE OF THE MOST HEAVILY USED SOVIET ANCHORAGES IN THE MEDITERRANEAN. IT OFFERS THE SOVMEDRON THE OPPORTUNITY TO KEEP SOME SMALL UNITS AT A WHARF AND LARGE SHIPS IN ROADS. IN COMPARISON TO OTHER EGYPTIAN PORTS AND OTHER MEDITERRANEAN ANCHORAGES THE LOCATION ALSO HAS THE ADVANTAGE OF BEING DIFFICULT TO KEEP UNDER SURVEILLANCE.

39. SINCE JULY THIS YEAR, THE CONTINUED PRESENCE OF A HIGHER THAN NORMAL NUMBER OF MAJOR COMBATANTS HAS INCREASED THE SSM AND SAM CAPABILITIES OF THE SOVMEDRON. THUS, WHILE MAINTAINING A NORMAL NUMERICAL STRENGTH, THE FIGHTING QUALITIES OF THE

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SQUADRON HAVE INCREASED.

40. THE JULY SUBMARINE RELIEF CONFIRMED THE TREND TOWARDS:

(I) A PERIOD OF ABOUT 12 MONTHS FOR SUBMARINE DEPLOYMENTS;
(II) THE USE OF COVERT PASSAGES THROUGH THE STRAITS OF GILBRALTAR WITH SPECIAL REGARD TO VESSELS ENTERING THE MEDITERRANEAN.

THIS MEASURE, AND THE USE OF POSSIBLE ESCORTS, AS A MEANS OF DISTRACTING ATTENTION FROM THE SUBMARINES, HAS COMPLICATED THE TASK OF TIMELY AND CORRECT EVALUATION OF THE SUBMARINE THREAT IN THE MEDITERRANEAN.

41. ON THE OTHER HAND, TRAINING OF SUBMARINE CREWS, CAPABLE OF ENDURING LONG STAYS AT SEA, IS APPARENTLY GOOD. CREWS ARE LIKELY TO BE RELIEVED DURING DEPLOYMENTS BY MEANS OF BLACK SEA FLEET UNITS, GENERALLY LAMA CLASS AEMS AND ALLIGATOR OR POLNOCHNY CLASS LST/LSMS. THESE TURNOVERS WOULD TRANSFER CREWS HOME AFTER EXTENSIVE PERIODS OF ACTIVITY AND ENSURE TRAINING OF JOINT CREWS IN THE MEDITERRANEAN ENVIRONMENT. EACH TURNOVER IS BELIEVED TO AFFECT ONLY A SMALL PART OF THE CREW OF EACH VESSEL WITH THEIR RELIEFS PRE-TRAINED AT NORTHERN BASES.

42. THE QUALITY OF THE WORK DONE ON TWO SOVIET NAVAL VESSELS SENT EXPERIMENTALLY FOR REPAIRS TO THE TIVAT SHIP-YARDS SEEMS TO HAVE BEEN FOUND SATISFACTORY SINCE OTHER VESSELS HAVE REPLACED THEM. THIS PROVIDES INITIAL CONFIRMATION OF A SUGGESTION PREVIOUSLY MADE, NAMELY, THAT THE REGULAR USE OF THESE FACILITIES WOULD LEAD TO THE REINFORCEMENT OF SOVIET NAVAL POTENTIAL IN THE MEDITERRANEAN. IN ADDITION, THEY ARE STEADILY DEVELOPING THE SYRIAN PORTS OF LATAKIA AND TARTOUS FOR THEIR OWN PURPOSES.

43. AS REGARDS SOVIET USE OF THE SUEZ CANAL, IT IS NOW CLEAR THAT EARLIER FORECASTS HAVE BEEN PROVED RIGHT AND THE SOVIETS HAVE REFRAINED UNTIL NOW FROM SENDING WARSHIPS THROUGH THE WATERWAY BUT NOT RESUPPLY UNITS WITH THE RESULT THAT LOGISTICS FOR THE SOVIET SQUADRON IN THE INDIAN OCEAN HAS BEEN MADE EASIER.

C. ECONOMIC

44. THERE HAS BEEN RELATIVELY LITTLE CHANGE OVER THE PAST

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SIX MONTHS AS REGARDS THE ECONOMIC PENETRATION OF THE ARAB COUNTRIES BY THE SOVIET UNION AND THE OTHER COMMUNIST COUNTRIES. THE MOST NOTABLE FEATURE HAS BEEN THE CONTINUING DETERIORATION OF THE SOVIET POSITION IN EGYPT, WHICH STEMS NOT ONLY FROM THE COOLER RELATIONS BETWEEN THE TWO COUNTRIES BUT ALSO FROM THE

FACT THAT SOVIET AID SEEMS LESS ESSENTIAL THAN HITHERTO. NEW DEVELOPMENT HORIZONS ARE OPENING UP TO EGYPT AS A CONSEQUENCE OF THE INCREASED FINANCIAL AID GRANTED BY CERTAIN OF THE OPEC COUNTRIES AND THE ECONOMIC PROSPECTS LINKED WITH THE REOPENING OF THE SUEZ CANAL. THE LATTER WILL BRING A SERIES OF TANGIBLE ADVANTAGES. AT THE SAME TIME, THE SEVERE DIFFICULTIES BESETTING THE EGYPTIAN ECONOMY WERE ONE OF THE MAIN REASONS FOR PRESIDENT SADAT'S DECISION TO SET IN MOTION A RETURN TO PEACEFUL CONDITIONS THROUGH THE SIGNATURE OF A SECOND EGYPTIAN-ISRAELI DISENGAGEMENT AGREEMENT. DESPITE THE TOUGH POSITION TAKEN BY THE SOVIETS IN THEIR MEETINGS WITH ISMAIL AND THE INSISTENCE ON THE IMMEDIATE REPAYMENT OF A LARGE AMOUNT WHICH IS OVERDUE, THE USSR UNDOUBTEDLY WANTS TO CONTINUE THE DIALOGUE. DISCUSSION OF A SOVIET OFFER TO EXPAND PARTICIPATION IN EGYPTIAN DEVELOPMENT PLANS WILL TAKE PLACE IN THE NEAR FUTURE. THE QUESTION OF EGYPT'S DEBT WILL UNDOUBTEDLY BE AIDED AGAIN DURING THESE PROJECT REVIEW SESSIONS.

45. THE ECONOMIC HOLD OF THE USSR AND ITS ALLIES ON THE OTHER COUNTRIES IN THE AREA HAS REMAINED UNCHANGED. THE MAIN TARGETS ARE STILL SYRIA AND IRAQ, ALTHOUGH IN THE CASE OF LIBYA THERE HAS ALSO BEEN AN INCREASE IN ECONOMIC AND TECHNICAL CO-OPERATION (TO THE EXCLUSION OF ALL AID) WITH THE EASTERN COUNTRIES.

III. CONCLUSIONS

46. IN THE POLITICAL SPHERE THE SECOND ISRAELI-EGYPTIAN DISENGAGEMENT AGREEMENT HAS CREATED A SITUATION IN THE MIDDLE EAST WHICH IS MORE FAVOURABLE TO WESTERN INTERESTS. THIS SITUATION REMAINS PRECARIOUS HOWEVER AND IF IT IS TO BE FIRMED UP FURTHER PROGRESS TOWARDS A SETTLEMENT OF THE ARAB-ISRAELI DISPUTE WILL BE NEEDED. THE ALLIED COUNTRIES SHOULD THEREFORE SUPPORT EVERY EFFORT TOWARDS THIS END WHILE ENCOURAGING THE TREND INDUCING CERTAIN ARAB COUNTRIES TO REAPPRAISE THEIR RELATIONS WITH THE USSR. THE ACHIEVEMENT OF THESE AIMS WOULD
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BE MADE EASIER IF, IN THE ECONOMIC SPHERE, APPROPRIATE AID MEASURES IN FAVOUR OF THESE ARAB COUNTRIES COULD BE TAKEN BY THE ALLIES. IN THE MILITARY SPHERE, GIVEN THE CONTINUING INSTABILITY IN THE REGION AND THE POTENTIAL RISKS ARISING THEREFROM, THE ALLIES SHOULD ENSURE THAT A SUFFICIENT MILITARY PRESENCE IS KEPT THERE TO GUARANTEE THE BALANCE OF FORCES.
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